

1 AN ACT concerning insurance.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Insurance Code is amended by
5 changing Sections 224 and 408.3 as follows:

6 (215 ILCS 5/224) (from Ch. 73, par. 836)

7 Sec. 224. Standard provisions for life policies.

8 (1) After the first day of July, 1937, no policy of life
9 insurance other than industrial, group or annuities and pure
10 endowments with or without return of premiums or of premiums
11 and interest, may be issued or delivered in this State, unless
12 such policy contains in substance the following provisions:

13 (a) A provision that all premiums after the first shall
14 be payable in advance either at the home office of the
15 company or to an agent of the company, upon delivery of a
16 receipt signed by one or more of the officers who shall be
17 designated in the policy, when such receipt is requested by
18 the policyholder.

19 (b) A provision that the insured is entitled to a grace
20 period either of 30 days or of one month within which the
21 payment of any premium after the first may be made, subject
22 at the option of the company to an interest charge not in
23 excess of 6% per annum for the number of days of grace

1 elapsing before the payment of the premium, during which
2 period of grace the policy shall continue in force, but in
3 case the policy becomes a claim during the grace period
4 before the overdue premium is paid, or the deferred
5 premiums of the current policy year, if any, are paid, the
6 amount of such premium or premiums with interest thereon
7 may be deducted in any settlement under the policy.

8 (c) A provision that the policy, together with the
9 application therefor, a copy of which shall be endorsed
10 upon or attached to the policy and made a part thereof,
11 shall constitute the entire contract between the parties
12 and that after it has been in force during the lifetime of
13 the insured a specified time, not later than 2 years from
14 its date, it shall be incontestable except for nonpayment
15 of premiums and except at the option of the company, with
16 respect to provisions relative to benefits in the event of
17 total and permanent disability, and provisions which grant
18 additional insurance specifically against death by
19 accident and except for violations of the conditions of the
20 policy relating to naval or military service in time of war
21 or for violation of an express condition, if any, relating
22 to aviation, (except riding as a fare-paying passenger of a
23 commercial air line flying on regularly scheduled routes
24 between definitely established airports) in which case the
25 liability of the company shall be fixed at a definitely
26 determined amount not less than the full reserve for the

1 policy and any dividend additions; provided that the
2 application therefor need not be attached to or made a part
3 of any policy containing a clause making the policy
4 incontestable from date of issue.

5 (d) A provision that if it is found at any time before
6 final settlement under the policy that the age of the
7 insured (or the age of the beneficiary, if considered in
8 determining the premium) has been misstated, the amount
9 payable under the policy shall be such as the premium would
10 have purchased at the correct age or ages, according to the
11 company's published rate at date of issue.

12 (e) A provision that the policy shall participate
13 annually in the surplus of the company beginning not later
14 than the end of the third policy year; and any policy
15 containing provision for annual participation beginning at
16 the end of the first policy year, may also provide that
17 each dividend be paid subject to the payment of the
18 premiums for the next ensuing year; and the insured under
19 any annual dividend policy shall have the right each year
20 to have the dividend arising from such participation either
21 paid in cash, or applied in reduction of premiums, or
22 applied to the purchase of paid-up additional insurance, or
23 be left to accumulate to the credit of the policy, with
24 interest at such rate as may be determined from time to
25 time by the company, but not less than a guaranteed minimum
26 rate specified in the policy, and payable at the maturity

1 of the policy, but withdrawable on any anniversary date,
2 subject to such further provisions as the policy may
3 provide regarding the application of dividends toward the
4 payment of any premiums unpaid at the end of the grace
5 period; and if the insured fails to notify the company in
6 writing of his election within the period of grace allowed
7 for the payment of premium, the policy shall further
8 provide which of such options are effective.

9 (f) A provision that after the policy has been in force
10 3 full years the company at any time, while the policy is
11 in force, will advance, on proper assignment or pledge of
12 the policy and on the sole security thereof, at a specified
13 maximum fixed or adjusted rate of interest in accordance
14 with Section 229.5, a sum equal to, or at the option of the
15 insured less than the amount required by Section 229.3
16 under the conditions specified thereby and with
17 notification as required by Section 229.5; and that the
18 company will deduct from such loan value any indebtedness
19 not already deducted in determining such value and any
20 unpaid balance of the premium for the current policy year,
21 and may collect interest in advance on the loan to the end
22 of the current policy year; and any policy may also provide
23 that if the interest on the loan is not paid when due it
24 shall be added to the existing loan and shall bear interest
25 at the same rate. No condition other than as provided
26 herein or in Sections 229.3 and 229.5 shall be exacted as a

1 prerequisite to any such loan. This clause shall not apply
2 to term insurance.

3 (g) A provision for nonforfeiture benefits and cash
4 surrender values in accordance with the requirements of
5 paragraph (1) of Section 229.1 or, Section 229.2.

6 (h) A table showing in figures the loan values and the
7 options available under the policy each year, upon default
8 in premium payments, during at least the first 20 years of
9 the policy; the policy to contain a provision that the
10 company will furnish upon request an extension of such
11 table beyond the years shown in the policy.

12 (i) A provision that in event of default in premium
13 payments the value of the policy is applied to the purchase
14 of other insurance as provided in this Section, and if such
15 insurance is in force and the original policy is not
16 surrendered to the company and cancelled, the policy may be
17 reinstated within 3 years from such default, upon evidence
18 of insurability satisfactory to the company and payment of
19 arrears of premiums and the payment or reinstatement of any
20 other indebtedness to the company upon the policy, with
21 interest on the premiums at a rate not exceeding 6% per
22 annum payable annually and with interest on the
23 indebtedness at a rate not exceeding the rate prescribed by
24 Section 229.5.

25 (j) A provision that when a policy is a claim by the
26 death of the insured settlement shall be made upon receipt

1 of due proof of death.

2 Such proof shall be in writing and establish (1) the
3 fact and date of the insured's death, (2) the claimant's
4 identity, and (3) the claimant's interest and the extent
5 thereof. Such proof includes information and documents
6 necessary for the insurer to determine its liability, pay
7 the claim in compliance with all laws and regulations, and
8 be discharged from liability. A claimant shall not be
9 required to provide documents otherwise available to the
10 insurer. Settlement shall be made ~~and~~ not later than 2
11 months after the receipt of such proof.

12 (k) If the policy provides for payment of its proceeds
13 in installments, a table showing the amount and period of
14 such installments shall be included in the policy.

15 (l) Interest shall accrue on the proceeds payable
16 because of the death of the insured, from date of death, at
17 the rate of 9% on the total amount payable or the face
18 amount if payments are to be made in installments until the
19 total payment or first installment is paid, unless payment
20 is made within fifteen (15) days from the date of receipt
21 by the company of due proof of loss. This provision need
22 not appear in the policy, however, the company shall notify
23 the beneficiary at the time of claim of this provision. The
24 payment of interest shall apply to all policies now in
25 force, as well as those written after the effective date of
26 this amendment.

1 Due proof of loss shall consist of information and
2 documents necessary for the insurer to determine its
3 liability, pay the proceeds, and be discharged from
4 liability. An insurer may include a provision in the policy
5 describing proof of loss, provided that such provision is
6 not inconsistent with this subsection.

7 (m) Title on the face and on the back of the policy
8 briefly describing its form.

9 (n) A provision, or a notice attached to the policy, to
10 the effect that during a period of ten days from the date
11 the policy is delivered to the policy owner, it may be
12 surrendered to the insurer together with a written request
13 for cancellation of the policy and in such event, the
14 insurer will refund any premium paid therefor, including
15 any policy fees or other charges. The Director may by rule
16 exempt specific types of policies from the requirements of
17 this subsection.

18 (2) In the case of the replacement of life insurance, as
19 defined in the rule promulgated by the Director, the replacing
20 insurer shall either (1) delay the issuance of its policy for
21 not less than 20 days from the date it has transmitted a policy
22 summary to the existing insurer, or (2) provide in a form
23 titled "Notice Regarding Replacement of Life Insurance", as
24 well as in its policy, or in a separate notice delivered with
25 the policy, that the insured has the right to an unconditional
26 refund of all premiums paid, and that such right may be

1 exercised within a period of 20 days commencing from the date
2 of delivery of such policy. Where option (2) is exercised, the
3 replacing insurer shall also transmit a policy summary to the
4 existing insurer within 3 working days after the date the
5 replacement policy is issued.

6 (3) Any of the foregoing provisions or portions thereof not
7 applicable to single premium or nonparticipating or term
8 policies shall to that extent not be incorporated therein. This
9 Section shall not apply to policies of reinsurance nor to
10 policies issued or granted pursuant to the nonforfeiture
11 provisions prescribed in subparagraph (g) of paragraph (1) of
12 this Section.

13 (Source: P.A. 92-139, eff. 7-24-01.)

14 (215 ILCS 5/408.3) (from Ch. 73, par. 1020.3)

15 Sec. 408.3. Insurance Financial Regulation Fund; uses. The
16 monies deposited into the Insurance Financial Regulation Fund
17 shall be used only for (i) payment of the expenses of the
18 Department, including related administrative expenses,
19 incurred in analyzing, investigating and examining the
20 financial condition or control of insurance companies and other
21 entities licensed or seeking to be licensed by the Department,
22 including the collection, analysis and distribution of
23 information on insurance premiums, other income, costs and
24 expenses, and (ii) to pay internal costs and expenses of the
25 Interstate Insurance Receivership Commission allocated to this

1 State and authorized and admitted companies doing an insurance
2 business in this State under Article X of the Interstate
3 Receivership Compact. All distributions and payments from the
4 Insurance Financial Regulation Fund shall be subject to
5 appropriation as otherwise provided by law for payment of such
6 expenses.

7 Sums appropriated under clause (ii) of the preceding
8 paragraph shall be deemed to satisfy, pro tanto, the
9 obligations of insurers doing business in this State under
10 Article X of the Interstate Insurance Receivership Compact.

11 Nothing in this Code shall prohibit the General Assembly
12 from appropriating funds from the General Revenue Fund to the
13 Department for the purpose of administering this Code.

14 No fees collected pursuant to Section 408 of this Code
15 shall be used for the regulation of pension funds or activities
16 by the Department in the performance of its duties under
17 Article 22 of the Illinois Pension Code.

18 If at the end of a fiscal year the balance in the Insurance
19 Financial Regulation Fund which remains unexpended or
20 unobligated exceeds the amount of funds that the Director may
21 certify is needed for the purposes enumerated in this Section,
22 then the General Assembly may appropriate that excess amount
23 for purposes other than those enumerated in this Section.

24 ~~Moneys in the Insurance Financial Regulation Fund may be~~
25 ~~transferred to the Professions Indirect Cost Fund, as~~
26 ~~authorized under Section 2105 300 of the Department of~~

1 ~~Professional Regulation Law of the Civil Administrative Code of~~
2 ~~Illinois.~~

3 (Source: P.A. 94-91, eff. 7-1-05.)